Annual Report

1990-91

Saskatchewan Liquor Board

92-03305/

Saskatchewan
Liquor Board
Annual Report
1990-91

The Honourable Sylvia Fedoruk,
Lieutenant Governor of the
Province of Saskatchewan.

Dear Madam:

I have the honour to hereby transmit the annual report of the Saskatchewan Liquor Board for the year ending March 31, 1991.

Yours sincerely,

Darrel R. Cunningham,
Minister in Charge,
Saskatchewan Liquor Board.

Report of the Board

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A Message from The Chairman of the Board

Regina, Saskatchewan

The Honourable Darrel R. Cunningham,
Minister in Charge,
Saskatchewan Liquor Board.

I have the honour to submit pursuant to Section 222 of The Liquor Act the sixty-sixth annual report for the fiscal year ending March 31, 1991.

Respectfully submitted,

Ted Urness
Chairman.

Report from the Chairman and Chief Executive Officer

Declining sales volumes, concessions to the hospitality industry, increased operating expenses, and implementation of the Federal Goods and Services Tax combined to produce the third consecutive and the largest decrease in Saskatchewan Liquor Board net annual income to date.

Consistent with a decade-long national trend of decreasing alcohol consumption, sales were down in all beverage alcohol categories, with the exception of spirit-based cooler products. Total sales were down 4.0% to $291 million, while net income decreased by 9.6% to $107.2 million.

A number of initiatives intended to strengthen the viability of the hospitality and beverage alcohol industries came into effect April 1, 1990:

- The wholesale price to licensees on beer was restructured to provide a 14% discount to all licensees on both bottled and canned beer purchases.
- The 5% surcharge applied to licensee purchases of wine and spirits was eliminated.
- Liquor Board mark-ups on wine and spirits were reduced to minimize the impact of a supplier price increase.
- The rate of commission paid to private liquor franchises on the first $100,000 in sales was extended to the first $300,000 in sales.

As intended, these initiatives allowed the hotel industry to increase its share of the home consumption market in beer and helped to mitigate financial hardship in the hospitality industry as a whole.

The restructured wholesale price on beer also encouraged the purchase of locally-produced bottled beer over canned beer. At the time, all canned beer was produced outside the province and, for that reason, breweries were restricted to a maximum of two brands each. Canned beer sales decreased to 15% of the total market in 1990/91, compared to 31% the previous year.

The beginning of 1990/91 saw the establishment of a new employee-owned Saskatchewan beer producer, Great Western Brewing Company of Saskatoon. In July, 1990, Great Western introduced the first beer canning line in the province in its Saskatoon plant. Later the same year, Molson Breweries established a canning line in its Regina operations.

During 1990/91, Saskatchewan Liquor Board policies and practices were amended to comply with the agreement reached in 1988 between Canada and the European Community (EC) under the General Agreement on Tariffs and Trade (GATT). Discriminatory mark-ups on imported wines, spirits and beer were eliminated and replaced with audited cost of service charges. In addition, the Board revised its listing policy to allow applications for beer listings from all GATT-member countries. As a result, four brands of beer produced in the United States were introduced for sale in November, 1990, in Board stores and franchises, marking the first time American beer had been sold in Saskatchewan.

The Board established 17 new franchise outlets in rural Saskatchewan in 1990/91. In addition, one franchise was awarded in the City of Regina to a non-profit organization to supply beverage alcohol to licensees only.

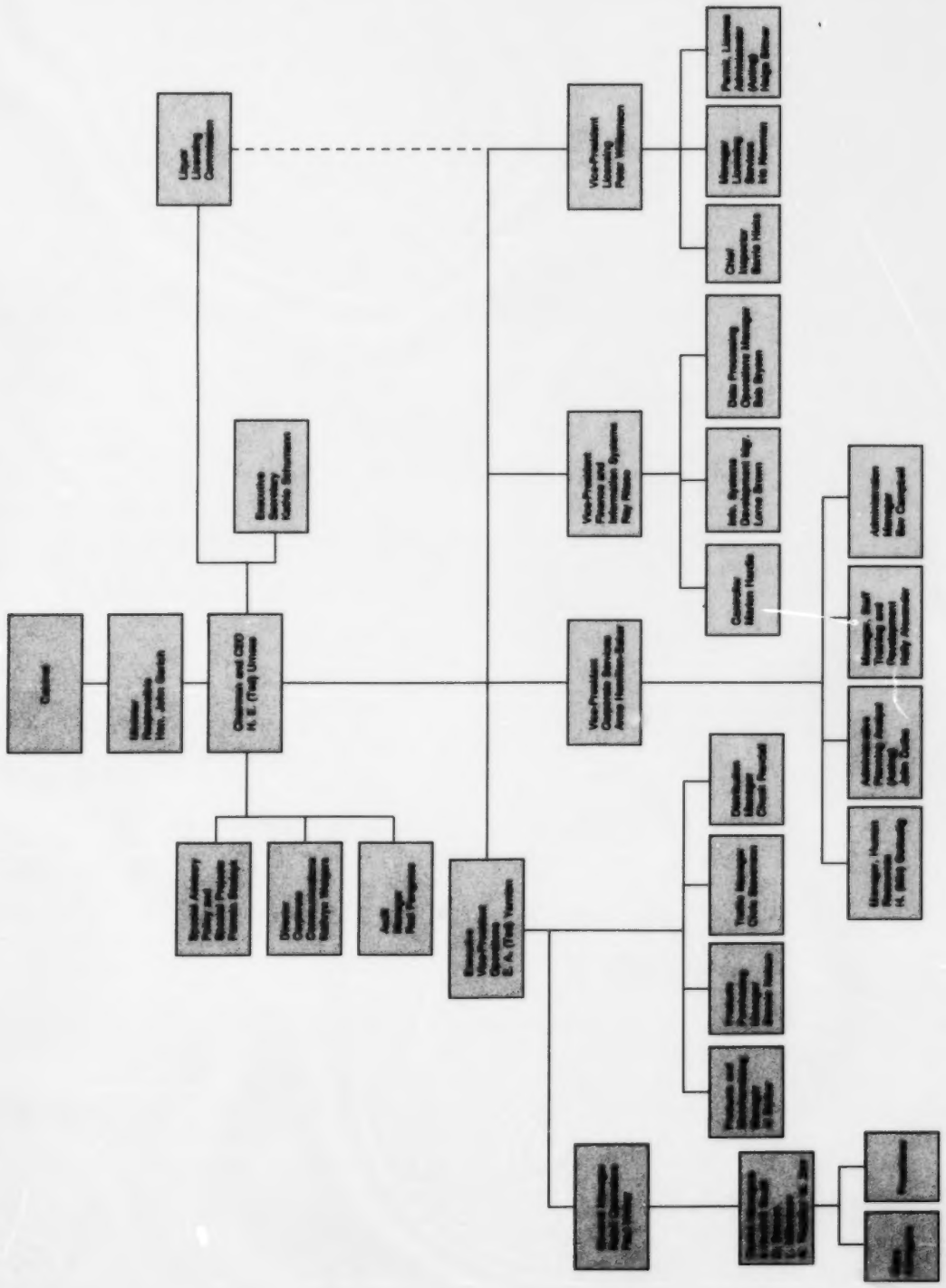
An actuarial study on the Saskatchewan Liquor Board Superannuation Plan was prepared by William M. Mercer Limited. As a result, the Board has made a commitment to fund the unfunded liability over the average remaining service life of the plan.

In March of 1991, the minister responsible appointed an Alcohol Control Advisory Council to review issues and provide advice to the government. The Council is comprised of 16 non-government members representing the hospitality and beverage alcohol industries, as well as health, education, social and consumer concerns. We look forward to working with the Council in the coming year.

Although the trend of declining sales is expected to continue, most of the other factors which contributed to a loss of income this fiscal year were of a one-time nature. Consequently, the notable loss of income in 1990/91 is not expected to be repeated in the coming year. In 1991/92, the Board will concentrate its efforts on maintaining current levels of revenue, while working with its client groups to achieve responsible reforms to retail and licensing policies.

In closing, I would like to thank all employees of the Saskatchewan Liquor Board for their contributions in 1990/91.

Organization Chart



Saskatchewan Liquor Board
Organizational Chart as at
March 31, 1991

Retail Operations

The Board, as of March 31, 1991, operates 85 board stores and 188 franchise agencies. Two of these stores, located in Regina and Saskatoon, cater exclusively to the licensee trade. Eighteen new franchises were established in 1990/91.

There are three (3) full-line specialty stores, one located in Regina at the South Albert Street Store and two located in Saskatoon at the 2nd Avenue and 8th Street stores. All specialty products are available through any store or franchise as demand dictates.

In an effort to reduce expenditures and streamline operations, we have consolidated the Market Mall and Grosvenor Park stores in Saskatoon into one large store located on 8th Street East. This store is now the largest store in the province both in volume and square footage. As a result of this consolidation, there was a net reduction of 4500 square feet of retail space in Saskatoon and this coupled with the economies of scale of a large operation resulted in substantial cost savings. The unique design of this new store has also enabled us to provide a bright, friendly shopping environment, coupled with some dynamic merchandising opportunities.

As a result of new customer service/ merchandising initiatives there has been a marked improvement in the level of customer service and the execution of in-store displays.

We will continue to strive for service excellence and operational efficiency.

Products and Distribution

Spirits, wine and imported beer are distributed to Board stores and franchises from a central bonded warehouse located in Regina. Domestic beer is distributed on behalf of the Board by the Saskatchewan Brewers Association.

The central warehouse provides service to 85 stores and 188 franchises, distributing a total of 8,508 orders this past year, each order averaging 121 cases.

At year end, the Board had 1,095 general and 439 specialty listings, made available to the Board by a larger contingent of Canadian and foreign suppliers. Specialty listings, with an emphasis on fine wine, are intended to provide the general public with a more varied selection of products. A full-line display of specialty products is offered by the South Albert Street Store in Regina and the 2nd Avenue North and 8th Street locations in Saskatoon. Any product from the Board's global list is available to the general public and licensees upon request through Board stores and franchises.

The trend toward moderation by the consuming public continued this past year. Total wine sales volume fell this past year by 4%. Despite the general decline in wine sales volume, positive growth was evident in wines offered from Australia, the United States, Chile and Canada due primarily to price advantage.

Within the spirit market, sales volumes fell 6% with all major sub-categories experiencing varying degrees of decline.

Total cooler sales volume grew by 2% during the year, fuelled by the 29% growth in spirit-based cooler products and despite the 17% decline in wine-based cooler sales. At year end, spirit-based coolers represented 52% of category sales, up from 41% in the previous year.

Beer sales volume fell by approximately 6% during the year. Canned beer sales represented 15% of the total beer market compared to 31% in the previous year. Light beer accounted for 25% of the total beer market. For the first time in Saskatchewan, beer produced in the United States became eligible for listing. Four brands were introduced for sale in Board stores and franchises.

Finance and Information Systems

Sales were down 4.0% to $291 million. This was due to the GST impact on the pricing structure in the last quarter, the restructured wholesale price to licensees on beer, and sales volumes which declined 5.3%. The source of sales was public sales of $180 million and licensee sales of $111 million. The revenue mix for spirits, wine and beer is consistent with the previous year.

Gross profit decreased by 6.5% to $130 million. Operating costs increased 1.8% primarily due to increased salaries. Operating expenses as a

percentage of gross profit increased slightly to 21.4%, from 19.7% in the previous year. There was a one time loss due to the shortfall in Federal Sales Tax refunded on December 31, 1990 inventories. Other income was down due to the removal of the licensing surcharge on wine and spirits. This combination of factors resulted in a 9.6% ($11.4 million) decrease in net income to $107.2 million.

Information Systems initiatives undertaken in the past year were primarily in the areas of new software application development. Hardware acquisitions were kept to a minimum, as we implemented a major upgrade in the previous year.

Three systems were in various stages of analysis, design and/or development. The business systems were the Stock Information & Control System, the Licensing System and the Special Occasion Permit System. All of these systems will go into a live production environment once conversion and system testing is completed.

Corporate Services

During 1990/91, Corporate Services continued to play a support role within the Liquor Board. A union-management committee completed development of the Employee and Family Assistance Program which was jointly signed by both S.G.E.U. and Liquor Board management on October 29, 1990. Training for managers and union shop stewards on the program began in early 1991 and we expect to complete it during 1991/92.

A new customer service/merchandising program was developed during 1990/91 and a number of facilitators were trained. Ten customer service/merchandising seminars were held for Liquor Board staff using store managers as facilitators. Employees gained a greater awareness of customer service issues and merchandising display techniques. This resulted in greater employee enthusiasm and improved quality in merchandising displays.

Saskatchewan Liquor Board chaired an inter-jurisdictional committee on Server Intervention which, supported by the Federal government, developed a core server/manager training program for seven provincial/territorial jurisdictions.

As well, it was Saskatchewan's turn to host the annual summer conference of the Canadian Association of Liquor Jurisdictions. Corporate Services both planned and coordinated the conference which included twelve Canadian jurisdictions.

Personnel

The breakdown of the number of staff as of March 31, 1991 was:

	Permanent	Part-time
General Administration	7	—
Retail Operations	180	260
Corporate Services	14	6
Corporate Communications	2	—
Finance	20	3
Products and Distribution	8	—
Information Systems	7	3
Distribution	17	5
Licensing	21	3
	276	*280

*equivalent — 116.

Our collective agreement expires March 28, 1992.

Licensing

During the year, the Liquor Licensing Commission held 40 sittings and conducted 160 hearings to consider applications for the various types of Licenses provided for in Section 29 of the Alcohol Control Act.

The Commission also held 40 meetings and passed minutes on 829 matters pertaining to the general conduct and operations of licensed outlets.

Licensing Statistics

Statement of Licenses

Type of License	Issued	Terminated/Expired and Surrendered					Licenses in Effect	
		Ownership Change	Seasonal and Interim	Close of Business	Premise Destroyed	Cancelled by Commission	March 31 1991	March 31 1990
Class B (with Off-sale Endorsement)	600 (Note 1)	55	52	5	2	—	486	479
Class B	281 (Note 2)	1	40	—	—	—	240	223
Class A	524	39	53	21	1	1	409	409
Class A (with Adjoining Premises Endorsement)	452	44	58	11	—	—	339	338
Class C (brewpub)	7	—	1	—	—	—	6	3
Class C (breweries)	3	—	—	—	—	—	3	3
Totals	1,867	139	204	37	3	1	1,483	1,455

Note 1 — Four of the issued licenses were to brewpubs.
Note 2 — Three of the issued licenses were to brewpubs.

Suspensions:

11 Class B (with Off-Sale Endorsement)
1 Off-Sale Endorsement
3 Class B (*Note 1)
3 Class A
4 Class A (with adjoining Premises Endorsement)

*Note 1 — 2 of these were not put into effect

Licensing Statistics — continued

Statement of Applications Received

Type of License	Received and Carried Over From 1990-1991	Issued	Refused	Withdrawn By Applicant	Pending March 31, 1991
Class B (with Off-Sale Endorsement)	546	534	—	—	12
Class B	258	249	—	1	8
Class A	460	446	—	—	14
Class A (with Adjoining Premises Endorsement)	398	389	1	1	7
Class C (Brewpub)	6	6	—	—	—
Class C (Breweries)	3	3	—	—	—

Permits Issued

	1986/87	1987/88	1988/89	1989/90	1990/91
Brewers Permits	3	3	3	—	—
Brewers Hospitality Suite Permits	4	3	3	—	—
Distillers Permits	1	1	0	—	—
Permits to Druggists, Physicians, etc.:					
— Druggists' sale and compounding permits	8	8	8	2	—
— Physicians' professional use	6	6	8	1	—
— Manufacturing and Scientific purposes	36	38	41	5	—
— Non consumptive use	—	—	—	20	39
— Medical use	—	—	—	6	18
Permits to persons engaged in business of selling church supplies					
— sacramental wine	3	3	2	2	2
Permits issued:					
Individual and Organization — Non sale of liquor	12,268	11,897	11,281	10,615	9,685
Organization — sale of liquor	18,232	17,933	17,254	14,595	14,241
Cost Recovery — sale of liquor	—	—	188	1,871	2,002
Community Event	473	481	556	848	877
Annual Permits	—	—	9	21	45
Annual Licenses	—	—	28	135	155
	31,034	30,373	29,381	28,121	27,064

Franchise Outlets as at March 31, 1991

Abbey
Abernethy
Admiral
Alida
Allan
Alsask
Alvena
Arborfield
Arcola
Asquith
Avonlea

Balcarres
Balgonie
Beechy
Bengough
Bethune
Big River
Birch Hills
Bjorkdale
Blaine Lake
Bredenbury
Bruno
Buchanan
Burstall

Cabri
Calder
Candle Lake
Canwood
Carnduff
Central Butte
Ceylon
Chaplin
Choiceland
Churchbridge
Climax
Cochin
Coleville
Colonsay
Conquest
Consul
Coronach
Craik
Crane Valley
Cudworth
Cupar
Cut Knife

Debden
Delisle
Denzil
Dinsmore
Dodsland
Domremy
Dorintosh
Duck Lake
Dundurn

Eastend
Eatonia
Edam
Elbow
Elrose
Emma Lake
Endeavour

Fillmore
Fox Valley

Gainsborough
Glaslyn
Glenavon
Glentworth
Golden Prairie
Goodeve
Goodsoil
Govan
Grayson
Grenfell

Hanley
Harris
Hodgeville
Holdfast

Imperial
Invermay

Kelliher
Kenaston
Kenosee Lake
Kincaid
Kinistino
Kuroki
Kyle

Lafleche
Lake Lenore
Lampman
Landis
Langham
Lashburn
Leask
Lemberg
Leoville
Leroy
Loon Lake
Lucky Lake
Lumsden
Luseland

Macklin
MacNutt
Maidstone
Mankota
Marsden
Marquis
Maryfield
Mayfair
Medstead
Meota
Meskanaw
Midale
Middle Lake
Milden
Milestone
Minton
Mistatim
Montmartre
Moose Jaw C.F.B.
Morse
Mossbank

Naicam
Neudorf
Nokomis
Norquay

Ogema
Oxbow

Paddockwood
Paradise Hill
Pelly
Pense
Perdue
Pierceland
Porcupine Plain
Punnichy

Qu'Appelle
Quill Lake

Rabbit Lake
Radisson
Redvers
Regina
Regina Beach
Rhein
Riverhurst
Rocanville
Rockglen
Rose Valley
Rouleau

St. Brieux
St. Louis
Saltcoats
Sedley
Shell Lake
Simmie
Simpson
Sintaluta
Smeaton
Sonningdale
Southey
Spiritwood
Spiritwood Acres
Spy Hill
Star City
Stenen
Stockholm
Strasbourg
Sturgis

Theodore
Togo
Torquay
Tramping Lake
Turtleford

Val Marie
Vanguard
Vibank
Viscount
Vonda

Wapella
Wawota
Weirdale
Welwyn
Whitewood
Willow Bunch
Wishart
Wolseley

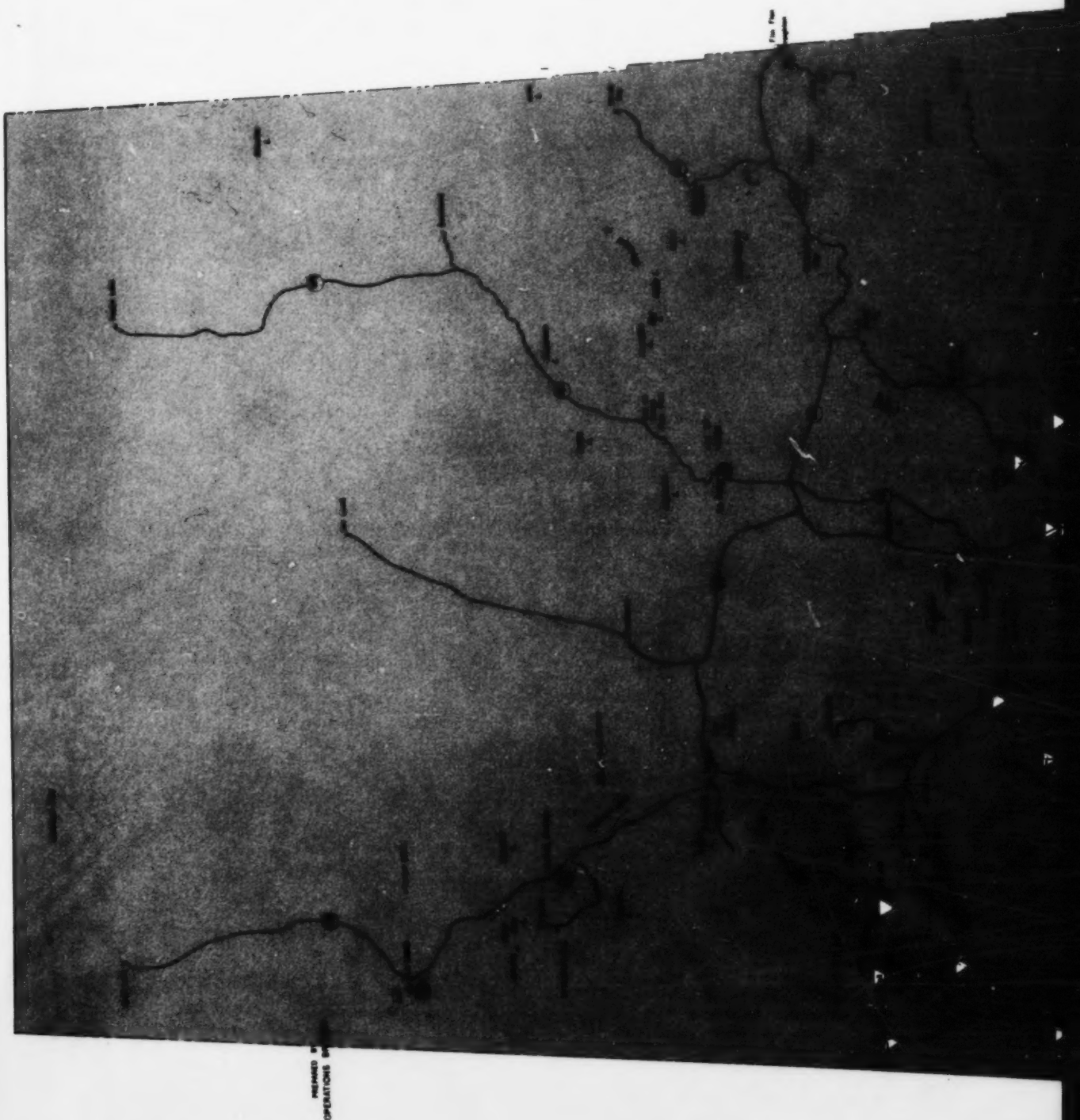
Young

Zenon Park

Total Number = 188

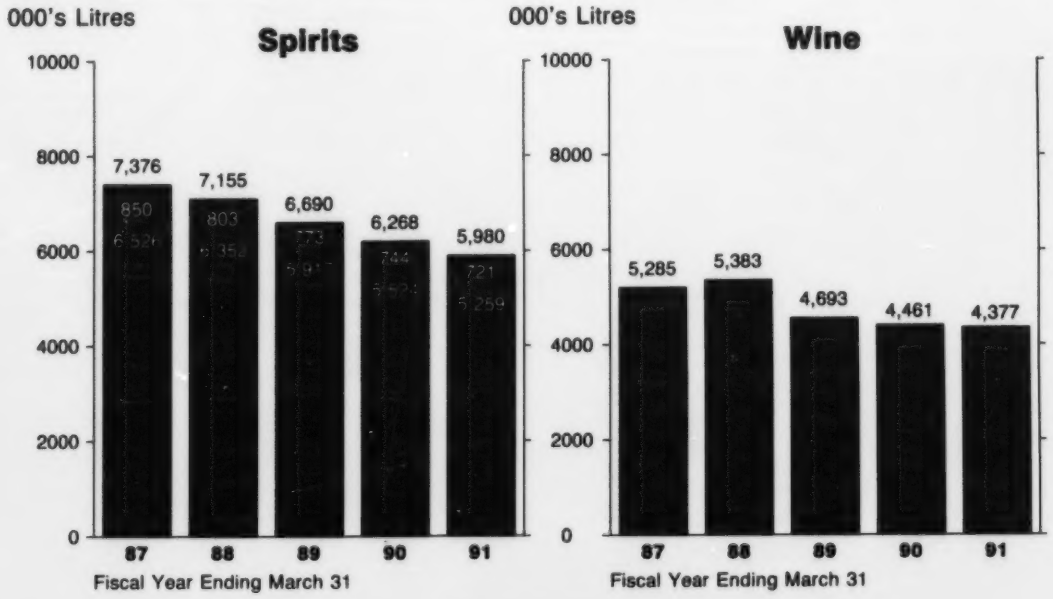
9

Map

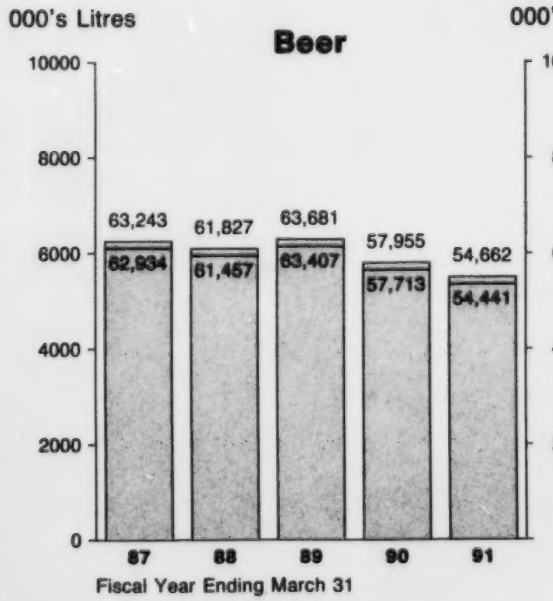


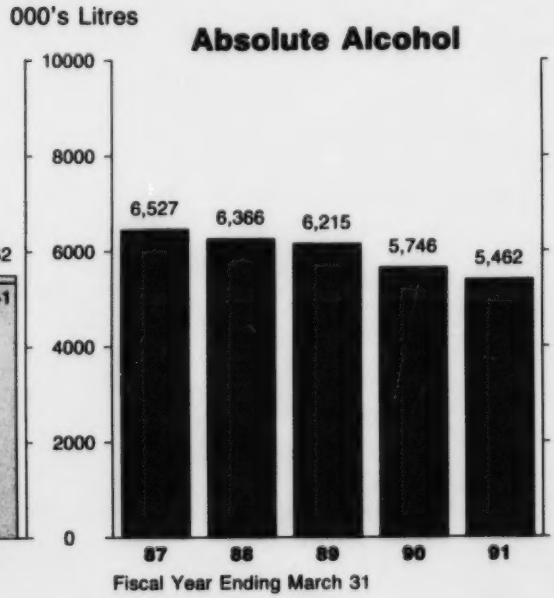
Liquor Board Stores
Franchises

Volume of Sales — 5 Year History

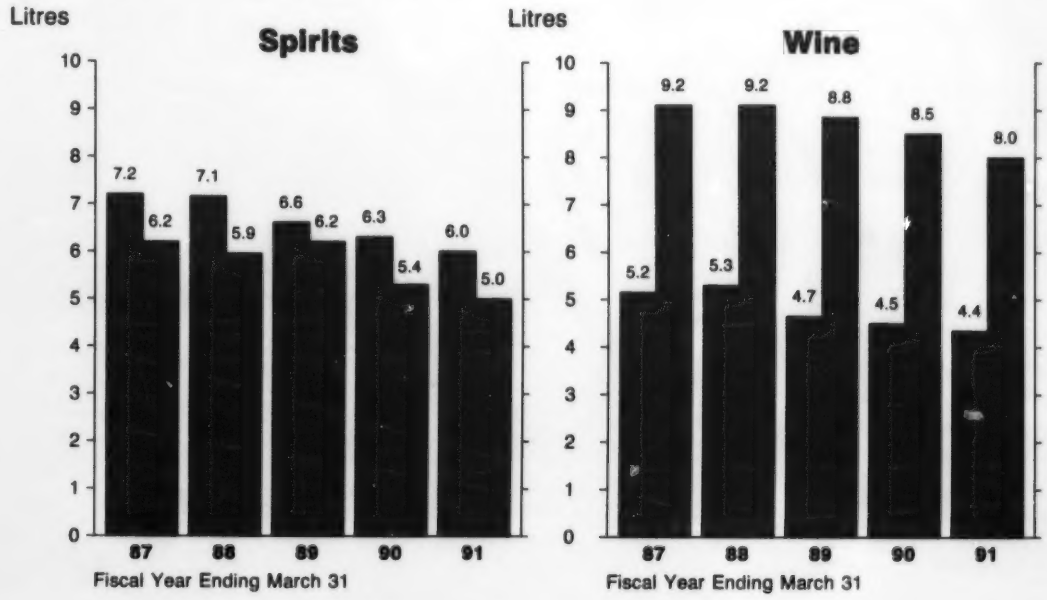


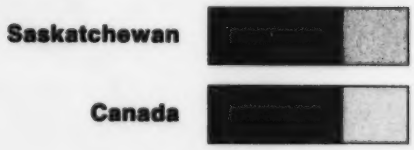
Wine includes wine and spirit coolers which are less than 6.5% alcohol by volume.



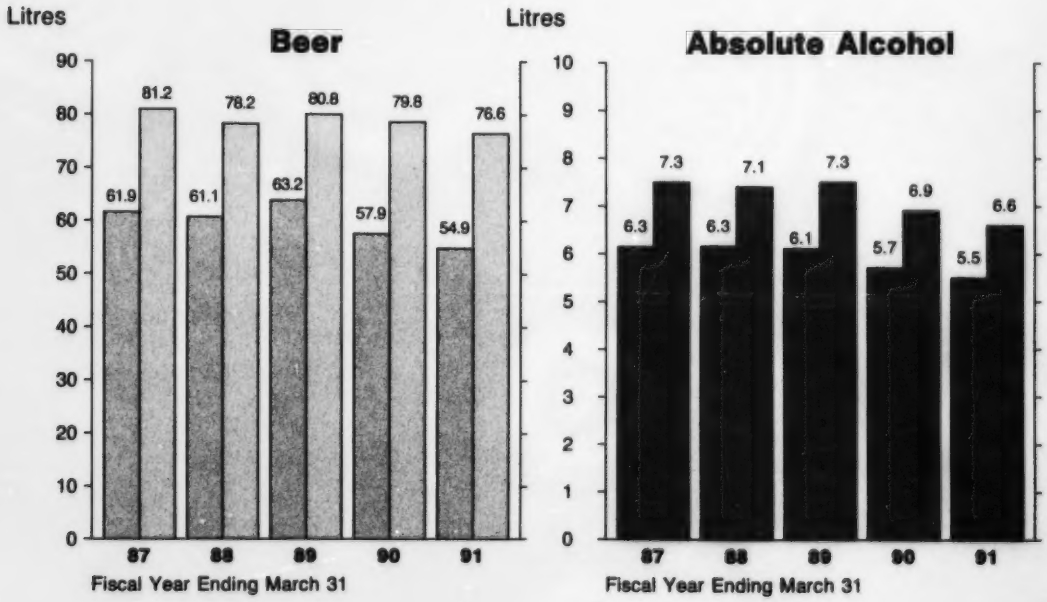


Per Capita Sales — 5 Year History

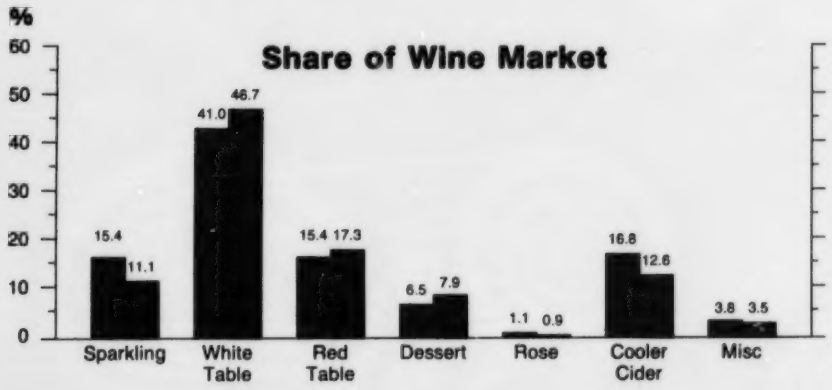




Note: The weighted average alcohol content was used to convert spirits, wine and beer to absolute alcohol.



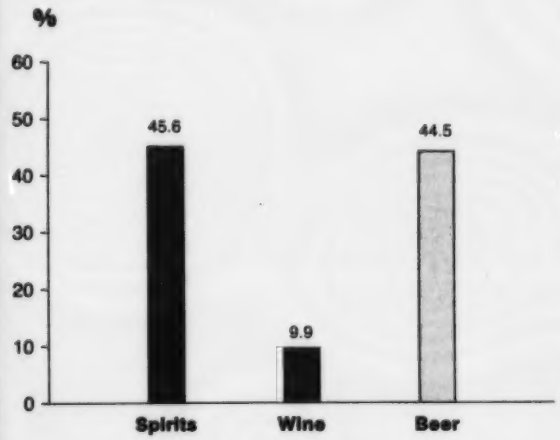
Share of Market Comparisons



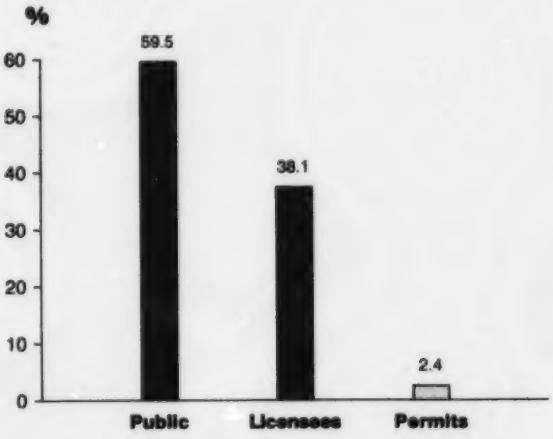
In 1987 both wine and spirit coolers were included in wine market figures. Approximately 78% were wine based, 22% spirit based.

There are no comparison bars for canned beer because it was only introduced in 1989

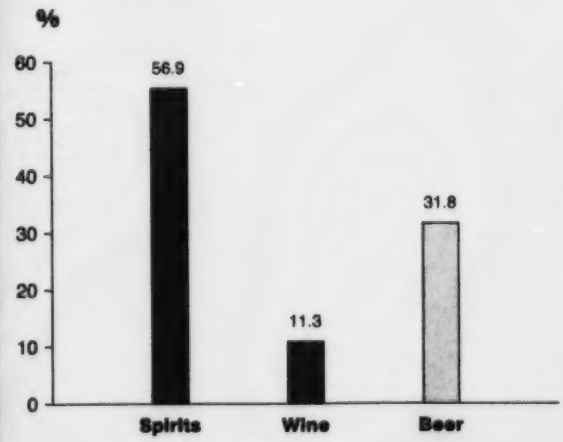
Revenue
By Type of Beverage



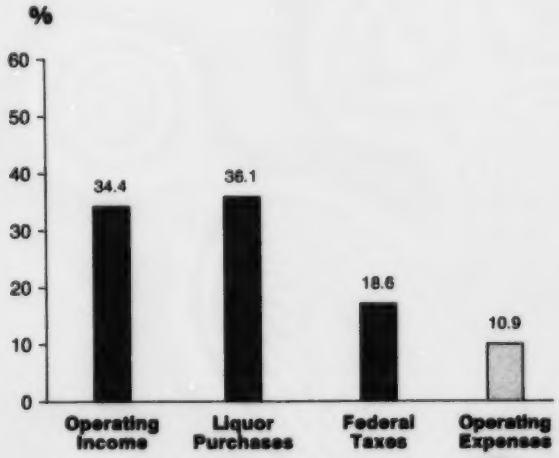
Revenue
By Type of Customer



Gross Profit
By Type of Beverage



Application of Revenue



Stores	5.5%
Overhead and Administration	2.6%
Liquor Act Enforcement	1.1%
Franchise Discount	1.3%
Warehousing	.4%
	10.9%

Schedule of Sales by Liquor Stores

for the year ended March 31, 1991

(thousands of dollars)

Location	Store Number	Wines & Spirits	Beer	Total
Assiniboia	519	$ 834	$ 248	$ 1,082
Battleford	522	738	294	1,032
Biggar	525	565	169	734
Broadview	586	257	113	370
Buffalo Narrows	606	336	361	697
Canora	536	824	186	1,010
Carlyle	554	516	203	719
Carrot River	601	349	152	501
Creighton	542	991	193	1,184
Davidson	555	358	147	505
Esterhazy	556	707	229	936
Estevan	520	1,767	242	2,009
Eston	602	285	79	364
Foam Lake	597	509	142	651
Fort Qu'Appelle	553	1,056	315	1,371
Gravelbourg	518	432	130	562
Gull Lake	516	238	65	303
Hafford	595	264	69	333
Hudson Bay	545	614	230	844
Humboldt	515	1,332	465	1,797
Indian Head	543	442	170	612
Ituna	531	408	81	489
Kamsack	512	811	242	1,053
Kelvington	541	468	103	571
Kerrobert	537	326	129	455
Kindersley	523	1,221	399	1,620
Kipling	528	386	110	496
La Loche	567	476	688	1,164
La Ronge	588	1,765	677	2,442
Langenburg	563	311	115	426
Lanigan	564	382	145	527
Leader	551	306	106	412
Lloydminster	548	591	107	698
Maple Creek	521	660	244	904
Meadow Lake	532	1,429	609	2,038
Melfort	524	1,179	364	1,543
Melville	514	1,212	269	1,481
Moose Jaw:				
100 Fairford St. W.	506	4,429	1,246	5,675
510 4th Ave. S.W.	562	1,044	375	1,419
Total Moose Jaw Stores		5,473	1,621	7,094
Moosomin	547	583	210	793
Nipawin	534	1,278	318	1,596
North Battleford	509	2,658	916	3,574
Outlook	576	457	160	617
Ponteix	579	226	88	314
Preeceville	605	484	140	624
Prince Albert:				
554 17th St. W.	507	2,941	688	3,629
South Hill Shopper's Mall	546	4,697	1,640	6,337
Total Prince Albert Stores		7,638	2,328	9,966

for the year ended March 31, 1991

(thousands of dollars)

Location	Store Number	Wines & Spirits	Beer	Total
Radville	529	199	81	280
Raymore	568	285	100	385
Regina:				
Park St. & 10th Ave. E.	500	5,597		5,597
Broadway Shopping Centre	501	2,745	960	3,705
Normanview Shopping Centre	502	2,239	995	3,234
1881 Broad Street	526	2,015	545	2,560
416 Albert N.	550	6,370	2,913	9,283
2626 28th Ave.	557	6,701	1,695	8,396
4239 Dewdney Ave.	560	2,632	1,297	3,929
1702 Park Street	569	2,813	1,314	4,127
University Park	575	1,836	692	2,528
Total Regina Stores		32,948	10,411	43,359
Rosetown	544	786	291	1,077
Rosthern	513	357	145	502
Saskatoon:				
401 20th St. W.	503	1,510	770	2,280
1935 1st Ave. N.	504	5,471		5,471
3110 8th St. E.	505	4,482	1,417	5,899
Market Mall	559	2,414	1,220	3,634
124 3rd Ave. N.	565	4,482	1,171	5,653
1701 Idylwyld N.	566	2,144	928	3,072
Lawson Heights	570	3,534	1,386	4,920
Confederation Plaza	571	5,225	2,816	8,041
Sutherland	572	1,789	817	2,606
Grosvenor Park	573	486	215	701
Avalon	574	1,323	569	1,892
Total Saskatoon Stores		32,860	11,309	44,169
Shaunavon	517	527	176	703
Shellbrook	600	413	196	609
Stoughton	604	202	48	250
St. Walburg	539	265	138	403
Swift Current	510	2,610	891	3,501
Tisdale	538	970	447	1,417
Unity	599	538	186	724
Wadena	558	564	160	724
Wakaw	540	310	168	478
Waskesiu (summer only)	533	324	196	520
Watrous	530	603	223	826
Watson	549	345	111	456
Weyburn	511	1,676	395	2,071
Wilkie	527	335	154	489
Wynyard	535	555	175	730
Yorkton	508	3,525	829	4,354
Special Orders		619	1	620
Total		$125,958	$41,202	$167,160

Wines and Spirits Purchased

for the Year Ended March 31, 1991
(thousands of dollars)

Country	
Canada	$26,601
Australia	89
Bulgaria	27
Chile	30
Finland	40
France	1,976
Germany	644
Greece	81
Hungary	46
Ireland	413
Italy	524
Mexico	37
Netherlands	22
Portugal	60
Spain	92
Sweden	39
United Kingdom	1,341
United States	1,247
U.S.S.R.	63
Other	67
Total Wine and Spirits Purchased	$33,439

Beer Purchased

for the Year Ended March 31, 1991
(thousands of dollars)

Saskatchewan	
Labatt's Saskatchewan Brewery Ltd.	$30,140
Molson Saskatchewan Brewery Ltd.	47,096
Great Western Brewing Co.	10,958
	88,194
Canada	117
Europe	122
USA	35
Other	14
Total Beer Purchased	$88,482

NOTE: Beer purchases from Saskatchewan brewers includes Federal Sales and excise taxes and is purchased F.O.B. the retail outlet.

Five Year Financial Review

(thousands of dollars)

	1986/87	1987/88	1988/89	1989/90	1990/91
Sales					
Spirits					
Canadian	123,588	126,554	124,416	122,148	117,364
Imported	18,690	18,551	18,173	18,254	18,252
	142,278	145,105	142,589	140,402	135,616
Wines and Ciders					
Canadian	16,310	17,564	14,374	12,940	13,029
Imported	12,956	13,168	12,323	11,830	12,424
	29,266	30,732	26,697	24,770	25,453
Beer, Ale and Stout					
Canadian	130,176	133,022	143,025	137,464	129,535
Imported	994	1,180	957	882	881
	131,170	134,202	143,982	138,346	130,416
Total Sales					
Canadian	270,074	277,140	281,815	272,552	259,928
Imported	32,640	32,899	31,453	30,966	31,557
	302,714	310,039	313,268	303,518	291,485
Cost of Sales	163,769	166,868	171,327	164,578	161,515
Gross Profit	138,945	143,171	141,941	138,940	129,970
Operating Expenses	24,023	24,100	26,414	27,367	28,463
Operating Income	114,922	119,071	115,527	111,573	101,507
Other Income	3,551	4,071	6,677	6,971	5,668
Net Income	118,473	123,142	122,204	118,544	107,175
Payment to Minister of Finance	140,000	—	194,000	135,000	185,000
Retained Earnings	127,909	251,051	180,024	163,568	85,743

Note: The Saskatchewan Liquor Board and the Liquor Licensing Commission were amalgamated in 1989 under The Alcohol Control Act. Years prior to 1988/89 do not include Liquor Licensing Commission income and expenses.

Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan:

We have examined the combined balance sheet of the Saskatchewan Liquor Board and Liquor Licensing Commission as at March 31, 1991 and the combined statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Board and Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the combined financial position of the Board and Commission as at March 31, 1991 and the results of their operations and the changes in their financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Regina, Saskatchewan
October 24, 1991

Deloitte & Touche
Chartered Accountants

Combined Balance Sheet as at March 31

(Thousands of Dollars)

	1991	1990
Current Assets		
Cash	$ 2,134	$ 1,910
Short-term deposits	28	13,889
Accounts receivable	1,122	432
Prepaid expenses	351	344
Inventories (Note 4)	10,610	11,915
	14,245	28,490
Deposits in Consolidated Fund (Note 7)	70,000	130,600
Fixed Assets (Note 5)	16,129	16,845
	$100,374	$175,935
Current Liabilities		
Accounts payable	$ 8,449	$ 6,457
Accrued pension costs (Note 6)	6,182	5,910
	14,631	12,367
Retained Earnings	85,743	163,568
	$100,374	$175,935

On behalf of the Board and Commission

Ted Cheese

_____, Chairman

Combined Statement of Income and Retained Earnings for the Year ended March 31

(Thousands of Dollars)

	1991	1990
Sales (Note 8)	$291,485	$303,518
Cost of Sales	161,515	164,578
Gross Profit	129,970	138,940
Operating expenses (Schedule 1)	27,856	27,367
Federal Sales Tax Adjustment (Note 3)	607	—
	101,507	111,573
Other income (Schedule 2)	5,668	6,971
Net Income for the year	107,175	118,544
Retained earnings, beginning of year	163,568	180,024
	270,743	298,568
Payments to Minister of Finance (Note 7)	185,000	135,000
Retained earnings, end of year	$ 85,743	$163,568

Combined Statement of Changes in Financial Position for the Year Ended March 31

(Thousands of Dollars)

	1991	1990
Operating Activities		
Net income for the year	$107,175	$118,544
Add charges to operations not requiring the use of cash:		
Depreciation	991	1,265
Loss (Gain) on sale of fixed assets	2	(9)
Excess of pension expense(Note 6)	272	823
	108,440	120,623
Net change in non-cash working capital items	2,600	(1,163)
Cash generated by operating activities	111,040	119,460
Investing Activities		
Additions to buildings, sites and equipment	(286)	(662)
Proceeds from disposal of buildings, sites and equipment	9	33
Reduction in deposits in Consolidated Fund	60,600	14,300
Cash generated by investing activities	60,323	13,671
Other Activities		
Payments to Minister of Finance (Note 7)	(185,000)	(135,000)
Cash used for other activities	(185,000)	(135,000)
Decrease in Cash for Year	(13,637)	(1,869)
Cash, beginning of year	15,799	17,668
Cash, end of year	$ 2,162	$ 15,799

Cash comprises cash and short-term deposits

Notes to Combined Financial Statements March 31, 1991

1. Board and Commission

The Saskatchewan Liquor Board and The Liquor Licensing Commission are continued under The Alcohol Control Act, with the Board and Commission consisting of not more than three members and seven members respectively appointed by the Lieutenant Governor in Council.

2. Accounting Policies

These combined financial statements have been prepared in accordance with accounting principles generally accepted in Canada. The more significant policies which have been adopted are described below.

(a) *Combined Financial Statements*

The financial results of the Board and the Commission are presented on a combined basis pursuant to Section 17 4 of The Alcohol Control Act.

(b) *Short-Term Deposits*

Short-term deposits are recorded on the balance sheet at cost, and the amount of accrued interest on these investments is included in accounts receivable.

(c) *Sales*

Sales are reflected in the accounts net of returns, container deposits, GST and the Saskatchewan Liquor Consumption Tax. During the year, the Board collected for Saskatchewan Finance the following amounts:

	(Thousands of Dollars)	
	1991	**1990**
Container deposits on all wine, spirits and imported beer products. (These deposits were not applicable in 1990)	$ 531	$ —
Liquor Consumption Tax	$15,440	$16,277

During the year, container deposits on domestic beer sales amounted to $15,933,000 (1990 — $15,606,000).

(d) *Inventories*

Inventories of wines, spirits and beer are valued at the lower of cost and net realizable value.

(e) *Fixed Assets*

Buildings, sites and equipment are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line basis at rates designed to amortize the cost of fixed assets over their estimated useful lives. Depreciation rates are as follows:

Buildings — 2.5% – 5% per annum
Equipment — 15% – 33% per annum

Leasehold improvements are amortized over the term of the lease.

(f) *Pension Expense*

The cost of pension benefits earned by employees who are members of the Board's defined benefit plan known as the Liquor Board Superannuation Plan is determined using the accrued benefit method prorated on the basis of term of service and is charged in the accounts as an expense as the service is rendered. The amount of the expense reflects management's best estimate of the plan's expected investment yields, salary increases, mortality of members, terminations and the ages at which members will retire.

Based upon the most recent actuarial valuation of the plan, adjustments arising from plan amendments, experience gains and losses and changes in assumptions are amortized over the estimated average remaining service lives of the employees who are members of the defined benefit plan. The difference between the amounts expensed and the amounts funded is reflected as a liability on the balance sheet.

3. Federal Sales Tax Adjustment

In conjunction with the introduction of the Federal Government's Goods and Services Tax (GST) the Board was entitled to a rebate of Federal Sales Tax (FST) paid on inventory on hand as at December 31, 1990.

The Board determined the amount of FST paid on its inventory to be $607,000 in excess of the actual sales tax rebate it ultimately recovered since Revenue Canada concluded that its prescribed tax fraction of 8.1% had to be applied in calculating the refund. The $607,000 shortfall has been reflected as a separate item in the combined statement of income and retained earnings.

4. Inventories

Inventories at March 31 consisted of the following:

	(Thousands of Dollars)	
	1991	**1990**
Wines and spirits in stores	$ 4,683	$ 5,771
Wines and spirits in warehouse	5,159	5,186
Beer in stores	768	958
	$10,610	$11,915

5. Fixed Assets

Fixed assets at March 31 consisted of the following:

	(Thousands of Dollars)			
	Cost	Accumulated Depreciation	Net Book Value **1991**	Net Book Value **1990**
Sites	$ 2,079	$ —	$ 2,079	$ 2,086
Buildings	17,886	5,263	12,623	13,119
Furniture and equipment	5,273	4,368	905	1,157
Leasehold improvements	1,096	574	522	483
	$26,334	$10,205	$16,129	$16,845

6. Pension Plan

The Board and Commission maintain pension plans which provide retirement benefits for essentially all employees.

A defined benefit plan is administered by The Liquor Board Superannuation Commission to provide superannuation allowances to those employees and Board members who were enrolled on October 1, 1977 and who did not elect to transfer to the Public Employees (Government Contributory) Superannuation Plan prior to October 1, 1978. This latter plan is a defined contribution plan, its funding requirements are established in accordance with the Superannuation (Supplementary Provisions) Act and employees' contributions are matched by the Board.

The defined benefit plan provides for superannuation allowances which are based on employees' years of service and their highest five years' earnings. The plan requires contributions from both employees and the Board. The Board's contribution rate of 576 percent of employee contributions is based on the latest actuarial valuation of the plan as at December 31, 1989 which reported an unfunded liability of $13,678,000, consisting of the actuarial present value of accrued benefits in the amount of $26,065,000 less the value of superannuation fund assets of $12,387,000.

The Board and Commission are providing for the unfunded liability by accruing as an expense an amount which is in excess of that which has been funded. The accrual as at March 31, 1991 was determined as follows:

	(Thousands of Dollars)	
	1991	**1990**
Pension Expense:		
Current service	$ 135	$ 96
Amortization	1,792	1,728
Total expense	1,927	1,824
Less: amounts funded	1,655	1,001
Excess of expense for the year	272	823
Accrual at beginning of year	5,910	5,087
Accrual at end of year	$6,182	$5,910

7. Deposits in Consolidated Fund

Deposits in Consolidated Fund consist of amounts advanced to the Consolidated Fund of the Province pursuant to Section 175(5) of The Alcohol Control Act. These amounts, which are non-interest bearing, are deposited to the credit of the Board in the Consolidated Fund until Treasury Board directs that they be transferred to the Province pursuant to Section 175(1).

Deposits in Consolidated Fund at March 31 comprised the following:

	(Thousands of Dollars)	
	1991	**1990**
Balance at beginning of year	$130,600	$144,900
Deposits during the year pursuant to Section 175(5)	124,400	120,700
Payments to Minister of Finance pursuant to Section 175(1)	(185,000)	(135,000)
Balance at end of year	$ 70,000	$130,600

8. Sales

Sales comprise the following:

	(Thousands of Dollars)	
	1991	**1990**
Wines and Spirits		
— in stores:		
— to licensees	$ 19,095	$ 20,764
— to public	106,862	116,859
	125,957	137,623
— to franchises:		
— to licensees	$ 5,860	$ 6,175
— to public	30,133	22,256
	35,993	28,431
	161,950	166,054
Beer		
— to licensees	$ 86,074	$ 88,798
— in stores	41,202	46,147
— to franchisees	2,259	2,519
	129,535	137,464
Total sales	$291,485	$303,518

9. Enforcement Expenses

Treasury Board authorizes the Board to pay certain amounts in each fiscal year relative to the enforcement of The Alcohol Control Act. During the year ended March 31, the following enforcement expenses were paid:

	(Thousands of Dollars)	
	1991	**1990**
Department of Urban Affairs	$1,000	$1,000
Department of Justice	2,341	2,233
	$3,341	$3,233

10. Related Parties

Included in these financial statements are expenses resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan crown controlled departments, agencies and corporations with which the Board is related.

Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms. Other amounts due to or from related parties and the terms of settlement are described separately in the financial statements.

Schedule 1 — Combined Schedule of Operating Expenses for the Year Ended March 31

(Thousands of Dollars)

	1991	1990
Audit fees	$ 101	$ 38
Bank service charges	150	159
Breakages	116	106
Building operation	297	282
Communications	417	418
Customer service programs	85	96
Data processing	360	362
Depreciation on buildings	545	580
Enforcement expense (Note 9)	3,341	3,233
Equipment maintenance and depreciation	901	1,065
Grants in lieu of taxes	935	961
Insurance	73	75
New Act Implementation	—	38
Pension	2,231	2,105
Rent and utilities	2,325	2,296
Salaries, wages and fringe benefits	14,284	13,794
Stationery and supplies	621	627
Sundry	674	735
Travel and vehicle	400	397
	$27,856	$27,367

Schedule 2 — Combined Schedule of Other Income for the Year Ended March 31

(Thousands of Dollars)

	1991	1990
Interest	$3,327	$3,586
License and surcharge	22	1,405
License and other fees	524	514
Permit	588	598
Sundry	1,207	868
	$5,668	$6,971